

CITY OF DERBY, IOWA
CAPITAL PROJECTS FUND

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

CITY OF DERBY, IOWA
CAPITAL PROJECTS FUND

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying statement of cash receipts, disbursements and changes in cash balances of the City of Derby, Iowa Capital Projects Fund as of and for the year ended June 30, 2006. These financial statements are the responsibility of the City of Derby, Iowa Capital Projects Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement presents only the Capital Projects Fund and does not purport to, and does not, present fairly the financial position of the City of Derby, Iowa as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City of Derby, Iowa Capital Projects Fund have not been audited for all prior years.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the results of the cash transactions of the City of Derby, Iowa Capital Projects Fund as of and for the year ended June 30, 2006, in conformity with the basis of accounting described in Note 1.

As described in Note 4, during the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2009 on our consideration of the City of Derby, Iowa Capital Projects Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 4 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Derby, Iowa Capital Project Fund's financial statements. Other supplementary information, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
June 3, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Derby, Iowa Capital Projects Fund provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Capital Projects Fund's financial statements, which follow.

Because the Capital Projects Fund is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the Fund's financial position and results of operations.

2006 FINANCIAL HIGHLIGHTS

- Receipts of the Capital Projects Fund were \$719,485 and included \$518,785 in grant receipts and \$200,000 in note proceeds.
- Disbursements were \$715,622 and were all capital projects expenditures
- The Capital Projects Fund's total cash basis net assets increased \$3,863 from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The annual report consists of a financial statement and other information as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Capital Projects Fund's financial activities.

The Financial Statement tells how the fund was financed in the short term as well as what remains for future spending

Notes to financial statements provide additional information essential to a full understanding of the data provided in the financial statement.

Other Supplementary Information includes the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The Capital Projects Fund maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Capital Projects Fund are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CAPITAL PROJECTS FUND'S FINANCIAL ACTIVITIES

Fund Financial Statement

1) Governmental funds account for most of a City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the Capital Projects Fund. The financial statement provides a detailed, short-term view of the Capital Projects Fund's operations. Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Capital Projects Fund's operations.

The required financial statement is a statement of cash receipts, disbursements and changes in cash balances.

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The Capital Projects Fund's cash balance increased from a year ago, increasing from \$(35) to \$3,828. The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets

	<u>Year Ended</u> <u>June 30,</u> <u>2006</u>
Receipts:	
Intergovernmental	\$ 518,785
Note proceeds	200,000
Transfers in	700
Total receipts	<u>719,485</u>
Disbursements:	
Capital outlay	<u>715,622</u>
Change in cash basis net assets	3,863
Cash basis net assets beginning of year	<u>(35)</u>
Cash basis net assets end of year	\$ <u><u>3,828</u></u>

CONTACTING THE CAPITAL PROJECTS FUND'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City of Derby, Iowa Capital Projects Fund's finances and to show the Capital Projects Fund's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carla Mongar, City Clerk, P.O. Box 68, Derby, Iowa.

FINANCIAL STATEMENTS

CITY OF DERBY, IOWA
CAPITAL PROJECTS FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
YEAR ENDED JUNE 30, 2006

Receipts:	
Intergovernmental	\$ 518,785 ✓
Disbursements:	
Capital outlay	<u>715,622</u> ✓
Deficiency of receipts under disbursements	<u>(196,837)</u> ✓
Other financing sources:	
Note proceeds	200,000 ✓
Transfers in	<u>700</u> ✓
Total other financing sources	<u>200,700</u> ✓
Change in cash basis net assets	3,863 ✓
Cash basis net assets beginning of year	<u>(35)</u> ✓
Cash basis net assets end of year	\$ <u>3,828</u> ✓

CITY OF DERBY, IOWA
CAPITAL PROJECTS FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Derby, Iowa Capital Projects Fund is a political subdivision of the State of Iowa located in Lucas County. The City was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

The financial statement presents only the Capital Projects Fund and does not purport to, and does not, present fairly the financial position of the City of Derby, Iowa, as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with the cash receipts and disbursements basis of accounting.

The Fund has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Fund are such that exclusion would cause the Fund's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Fund to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Fund. The Fund has no component units which meet the Governmental Accounting Standards Board criteria.

B. Fund Accounting

The accounts of the City of Derby, Iowa Capital Projects Fund are organized on the basis of funds, which is considered to be a separate accounting entity. The operations of the Fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The Fund and its designated purpose is as follows:

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

C. Measurement Focus and Basis of Accounting

The City of Derby, Iowa Capital Projects Fund maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Fund are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the fund in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the Capital Project Fund funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the Capital Project Fund's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

CITY OF DERBY, IOWA
CAPITAL PROJECTS FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 2: CASH AND POOLED INVESTMENTS

The Fund's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City of Derby, Iowa Capital Projects Fund is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district

NOTE 3: RISK MANAGEMENT

The City of Derby, Iowa Capital Projects Fund is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City of Derby, Iowa Capital Projects Fund assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Fund is covered by the City of Derby, Iowa's insurance policies.

NOTE 4: ACCOUNTING CHANGE AND RESTATEMENTS

Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, were implemented for the year ended June 30, 2006. As a result of implementing the aforementioned statements, no restatement of beginning net assets is necessary

CITY OF DERBY, IOWA
CAPITAL PROJECTS FUND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant	14 228 ✓	03-WS-005	\$ 1,785 ✓
Direct:			
U S. Department of Agriculture:			
Water and Waste Disposal Loans and Grants	10.770 ✓		<u>517,000</u> ✓
			\$ <u>518,785</u> ✓

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Derby, Iowa Capital Projects Fund and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the City of Derby, Iowa Capital Projects Fund as of and for the year ended June 30, 2006, and have issued our report thereon dated June 3, 2009. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Derby, Iowa Capital Projects Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing our opinion on effectiveness of the City of Derby, Iowa Capital Project Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Derby, Iowa Capital Project Fund's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Derby, Iowa Capital Project Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Derby, Iowa Capital Project Fund's financial statements that is more than inconsequential will not be prevented or detected by the City of Derby, Iowa Capital Project Fund's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Derby, Iowa Capital Projects Fund's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-06 is a material weakness.

As part of obtaining reasonable assurance about whether the City of Derby, Iowa Capital Projects Fund's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

The City of Derby, Iowa Capital Projects Fund's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City of Derby, Iowa Capital Projects Fund's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Derby, Iowa and other parties to whom the City of Derby, Iowa Capital Projects Fund may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Derby, Iowa Capital Projects Fund during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
June 3, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB A-133

To the Honorable Mayor and
Members of the City Council

Compliance

We have audited the compliance of the City of Derby, Iowa Capital Projects Fund with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. The City of Derby, Iowa Capital Projects Fund's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Derby, Iowa Capital Project Fund's management. Our responsibility is to express an opinion on the City of Derby, Iowa Capital Projects Fund's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Derby, Iowa Capital Projects Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Derby, Iowa Capital Projects Fund's compliance with those requirements.

In our opinion, the City of Derby, Iowa Capital Projects Fund complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Derby, Iowa Capital Projects Fund is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Derby, Iowa Capital Projects Fund's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Derby, Iowa Capital Projects Fund's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City of Derby, Iowa Capital Projects Fund's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the City of Derby, Iowa Capital Projects Fund's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Derby, Iowa Capital Projects Fund's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Derby, Iowa Capital Projects Fund's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-06 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Derby, Iowa Capital Projects Fund's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questions Costs as item III-B-06 to be a material weakness.

The City of Derby, Iowa Capital Projects Fund's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City of Derby, Iowa Capital Projects Fund's responses, we did not audit the City of Derby, Iowa Capital Projects Fund's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Derby, Iowa and other parties to whom the City of Derby, Iowa Capital Projects Fund may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
June 3, 2009

CITY OF DERBY, IOWA
CAPITAL PROJECTS FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

PART I: SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number: 10 770 Water and Waste Disposal Loans and Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000
- (i) The City of Derby, Iowa Capital Projects Fund did not qualify as a low-risk auditee.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

II-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the year ended June 30, 2006, the City Clerk had control over each of the following areas for the City of Derby, Iowa Capital Projects Fund:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – handling and recording.
- (3) Receipts – collecting, depositing and posting.
- (4) Disbursements – purchasing, preparing checks and recording.

Recommendation

We realize that with one part-time office employee, segregation of duties is difficult. However, the City of Derby, Iowa Capital Projects Fund should review its operating procedures to obtain the maximum internal control possible under the circumstances. The Fund should consider involving City Council members.

Response

We will consider the above recommendations.

Conclusion

Response accepted.

CITY OF DERBY, IOWA
CAPITAL PROJECTS FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

Instances of Non-Compliance

No matters were noted.

PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

Significant Deficiencies:

CFDA Number: 10 770 Water and Waste Disposal Loans and Grants

- III-A-06 Segregation of Duties Over Federal Receipts and Disbursements – The City of Derby, Iowa Capital Projects Fund did not properly segregate collection, deposit and record-keeping for receipts and authorization, payment and record-keeping for disbursements, including those related to federal programs See item II-A-06.

Instances of Non-Compliance

No matters were noted.